

DISABILITY INSURANCE ELECTIVE COVERAGE PROGRAM

California's Disability Insurance Elective Coverage (DIEC) program provides benefits to eligible business owners and self-employed individuals suffering a loss of income when they are unable to perform their usual work due to illness, injury, or pregnancy.

Background

The DIEC program was created by the California State Legislature in 1962 through the direct actions of a state legislator acting on behalf of a constituent's unfortunate circumstance. The constituent was being forced to close his business, as he was without any disability coverage to help offset the expenses during a critical illness.

Through the legislator's concerned actions, California became the only state to offer a state-sponsored disability insurance program to business owners and self-employed individuals on an elective basis.

Today this program serves as a safety net to those small business owners, entrepreneurs, or self-employed individuals who make up a large portion of companies doing business in California.

Who Can Elect to be Covered by DIEC?

Any self-employed individual who receives the major part of his or her income from the trade, business, or occupation in which he or she is self-employed.

Individual proprietors and general partners are eligible to apply for coverage. It is not required that all active general partners be included in the election. A general partnership also includes a husband and wife co-ownership in which both spouses are active in the operation and management of the business. Limited partners and corporate officers are not eligible since they are considered to be employees subject to the mandatory provisions of the California Unemployment Insurance Code (CUIC).

Major Requirements

- You must own your own business or be self-employed.
- You must have a minimum income of \$4,600 annually.
- You must possess a valid active license, if required by your occupation.
- You must be able to perform all of your normal duties on a full-time basis at the time your application is submitted.
- You must derive the major portion of your income from your trade, business, or occupation.
- Your business cannot be seasonal.
- You must stay in the program for 2 complete calendar years unless you discontinue your business or move out of California.

Eligibility and Benefits

DIEC benefits are payable when a participant cannot work due to illness, injury, or pregnancy.

For disabilities beginning on or after January 1, 2009, benefits range from \$51 to a maximum of \$959 per week, and are payable for a maximum of 39 weeks.

To receive benefit payments, your application for elective coverage must be approved before you become disabled, and you must:

- File a claim in accordance with regulations with a certificate of disability signed by a duly authorized medical or religious practitioner.
- Serve a 7-day nonpayable waiting period.

- Have paid contributions for at least one quarter during the 12-month base period of the claim. Generally, a minimum of 6 months must elapse from the effective date of coverage before a valid claim may be filed based solely on this election.
- Submit to a reasonable medical examination, if required.

Claims are filed by mail and checks are usually mailed every 2 weeks.

What is the Cost?

Premiums are based on net profit reported on Internal Revenue Service (IRS) Schedule SE. Each quarter, one fourth of this amount is reported as "wages." For the calendar year 2009, premiums are calculated at 2.22 percent of these "quarterly wages."

For example: \$24,000 (IRS Schedule SE) ÷ 4 = \$6,000 (quarterly wages) x .0222 = \$133.20 (quarterly premium due).

The maximum annual premium is \$2,012.85.

If the participant becomes disabled for a portion of the quarter, premiums may be reduced.

The DIEC rate is evaluated and computed each calendar year about November 30 to ensure program solvency.

The state makes no revenue on this plan. Therefore, premiums are based on benefits paid and administrative costs.

Disqualifications

No disability insurance payments can be made to persons who willfully make false statements or withhold material facts to gain benefits. A participant is also ineligible for disability benefits:

- If coverage has been terminated prior to becoming disabled (there is no vested interest).
- When in legal custody as the result of a conviction, or when confined by a court order.

- If the participant is no longer in the labor market.
- If a quarterly contribution return is delinquent.

Appeals

All participants have the right of appeal to an impartial Administrative Law Judge (ALJ) concerning determinations of eligibility or benefit amounts. Further appeal from an ALJ's decision may be filed with the Unemployment Insurance Appeals Board, or the Board may set aside the ALJ's decision on its own motion. Decisions of the Board may be reviewed by the courts.

Social Security

If a person is permanently disabled, he or she should contact the Social Security Administration. For information about benefits under their programs, call 1-800-772-1213. The individual should also apply for DIEC benefits, as receiving Social Security does not conflict with DIEC.

Paid Family Leave

Persons covered by State Disability Insurance are also automatically covered by Paid Family Leave insurance. PFL benefits are available to persons who take time off work to care for a seriously ill child, spouse, parent, or domestic partner or to bond with a new minor child. (Please see the Paid Family Leave Fact Sheet, DE 8714CF, for further information.)

For More Information

For additional information on the DIEC program:

- Visit EDD's Internet site at www.edd.ca.gov;
- Contact your nearest Disability Insurance office, listed under "Employment Development Department" in the State Government section of your telephone directory; or
- Call the DIEC Unit at (916) 654-6288.

EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.

DISABILITY INSURANCE ELECTIVE COVERAGE (DIEC) RATE NOTICE AND INSTRUCTIONS FOR COMPUTING ANNUAL PREMIUMS

Rate	The DIEC rate* is 2.22 percent of the first \$90,669 reportable for 2009.	
Important Reminders	<ul style="list-style-type: none"> • The payment due by January 31 of each year is for the last quarter of the prior year and must be computed using the rate in effect for that year. • A Quarterly Premium Notice (DE 3DI) must be filed every quarter - even when no premium is due. Your eligibility for disability insurance benefits may be affected if you fail to file a return each quarter. 	
What Your Premium Is Based Upon	Your 2009 DIEC premiums are based on the net profit reported on your 2007 Internal Revenue Service (IRS) Form 1040 Schedule SE. Life insurance salespersons who are not required to file a Schedule SE should use the net income from IRS Form 1040 Schedule C (line 31) in place of Schedule SE net profit to compute the annual premium.	
Your Premium Determined by Net Profit	If the net profit shown on line 3 of your 2007 IRS Schedule SE is:	
	\$4,600 or less (or you did not earn enough to require you to file a Schedule SE):	You will pay an <u>annual</u> premium of \$102.12 during 2009. Your premium will be paid in four equal quarterly installments.
	\$4,601 to \$90,669:	Multiply your net profit by 2.22 percent to determine your 2009 <u>annual</u> premium. Your premium will be paid in four equal quarterly installments.
	\$90,669 to \$362,676:	Your <u>annual</u> premium for 2009 will be \$2,012.85 . Because premiums are based on the first \$90,669 of reported net profits, your quarterly installments may be higher at the beginning of the year than at the end of the year.
	\$362,677 or more:	Your <u>entire 2009 premium</u> of \$2,012.85 will be due at the end of the first quarter and becomes delinquent after April 30, 2009.

*Includes Paid Family Leave (PFL) contributions.

**What Your Benefits
Are Based Upon**

Benefits* are based on the premiums paid during the four quarters of the base period of your claim, not on your actual earnings during those quarters. Benefits for 2009 are based on premiums paid during 2007 and 2008 which are based on income you earned in 2005 and 2006.

Disabled

You do not pay premiums for periods when you are disabled. You are, however, required to pay premiums on the first \$90,669 in reported net profits. Therefore, a decreased premium in one quarter may result in an increased premium later in the same calendar year. For additional information, please refer to your *Quarterly Premium Notice* (DE 3DI).

How to Cancel

Members who have been in the DIEC program for two complete calendar years and wish to voluntarily cancel their elective coverage agreement may do so by filing a written request. **The request must be postmarked during the month of January** and will be effective on January 1. Requests postmarked after January 31 must show good cause for failure to meet this cut off date or they will be rejected.

Please send correspondence to:

**Employment Development Department
DIEC Unit, MIC 5
P.O. Box 826880
Sacramento, CA 94280-0001**

Remember, your premium notice and payment for the quarter ended December 31 are still due by January 31, even if you request cancellation of your coverage.

**Involuntary
Termination**

Section 704.1 of the California Unemployment Insurance Code (CUIC) allows the Department to terminate an elective coverage agreement if it is discovered that:

- (1) The individual is an employee and not self-employed.
- (2) The individual is no longer self-employed.
- (3) The individual's self-employment is seasonal.
- (4) The major portion of the individual's work-related income does not come from self-employment activities.
- (5) The individual's net profit from self-employment is less than \$4,600 for three consecutive years.
- (6) The individual fails to file returns or pay premiums within the time required by the Department.
- (7) The individual filed a false statement in order to be considered eligible for elective coverage.
- (8) The individual has been convicted of any violation for filing a false claim for benefits pursuant to Chapter 10 (commencing with Section 2101) of the CUIC.

**Additional
Information**

Additional information regarding the DIEC program may be obtained by calling (916) 654-6288 or by writing to the address shown above. **Information may also be obtained by visiting our Web site at www.edd.ca.gov/Disability/faqs_for_Elective_Coverage.htm or contacting our Taxpayer Assistance Center at 1-888-745-3886. For TTY (nonverbal) access, call 1-800-547-9565.**

*Includes Paid Family Leave (PFL) benefits.

EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling (888) 745-3886 (voice) or TTY (800) 547-9565.

Protect your most valuable asset- your ability to earn an income

As someone whose livelihood depends on your ability to run a business, you should consider what would happen if your income stopped because:

- You were sick, injured, or pregnant and could not work.
- Your parent, child, spouse, or registered domestic partner needs your care due to a serious health condition.

■ You would like to bond with your new minor child.
Could you do without your income even temporarily?

A financial safety net

Disability Insurance Elective Coverage (DIEC) offers a safety net to business owners or self-employed individuals. Premiums are based on net profits as declared on the Internal Revenue Service Form 1040 Schedule SE or Schedule C. Benefits range from \$51 to \$959 per week.

Consider the benefits

- Protection against loss of income due to injury, pregnancy, or illness - whether or not it is work-related.
- Up to 39 weeks of benefits for your own disability.
- Automatic coverage in California's Paid Family Leave (PFL) insurance program, which provides up to six weeks of benefits to care for a seriously ill parent, child, spouse, registered domestic partner, or to bond with a new minor child.

For more information about Disability Insurance, call (800) 480-3287 or for information about PFL insurance benefits, call (877) 238-4373.

Major Requirements

- You must own your own business or be self-employed.
- You must be normally and continuously engaged in a regular trade, business, or occupation.
- You must derive the major portion of your income from your trade, business, or occupation.
- Your business cannot be seasonal.
- You must stay in the program for two complete calendar years unless you discontinue your business or move out of California.

Benefit Eligibility

Generally, you must have this insurance coverage for at least six months before you are eligible to file a claim.

If you are interested in more information about this program please call (916) 654-6288. If you would like an application, please call (916) 554-7104, complete and mail the attached form, or visit EDD's Web site at:

www.edd.ca.gov

Please send me more information and an application for DI Elective Coverage.

Name _____

Street Address _____

City _____ State _____ Zip Code _____

E-mail Address _____

Please have someone call me at () _____

Detach this portion and mail to the following address:

State of California
Employment Development Department
Taxpayer Assistance Center, Attn: DIEC Unit
PO Box 2068
Rancho Cordova, CA 95741-2068



DE 945 ANNUAL INCOME REPORT FOR
DISABILITY INSURANCE ELECTIVE COVERAGE

THIS IS NOT A BILL

YEAR ENDED _____ DUE _____

YEAR

DIEC Account Number

Social Security Number

DO NOT ALTER THIS AREA

DEPT. USE ONLY

EFFECTIVE DATE

Mo.	Day	Yr.
-	-	=

The net profit or loss reported for the calendar year shown above will be used to determine your quarterly premiums for the following year. Those premiums will determine your benefits for future years.

1. Enter the new profit from line 3 of your IRS Schedule SE in this box.
(Please attach a copy of your Schedule SE to this form.)

\$ _____

Net Profit <Loss> from IRS
Schedule SE, C, F, or K-1

OR

2. If you did not file an IRS Schedule SE, enter the net profit or loss
from your IRS Schedule C, F, or K-1.
(Please attach a copy of the appropriate schedule to this form.)

Note: The name and social security number on your schedule(s) must agree with those preprinted on this form. If you have been granted a filing extension by the IRS, please **DO NOT** submit this form until you file your tax return.

BE SURE TO SIGN THIS DECLARATION: I DECLARE that the information herein is true and correct to the best of my knowledge and belief.

Signature _____ Title _____ Phone () _____ Date ____/____/____

THIS IS NOT A BILL
PLEASE DO NOT SEND PAYMENTS WITH THIS FORM.

INFORMATION REGARDING THE DE 945, ANNUAL INCOME REPORT
FOR DISABILITY INSURANCE ELECTIVE COVERAGE

Sections 708 and 708.5 of the California Unemployment Insurance Code require that you provide an annual statement of your net profit as reported to the Internal Revenue Service (IRS) for the prior tax year.

If your taxes are filed with IRS on a fiscal year basis, please provide the fiscal year end date and the date by which IRS requires the information to be filed if no extension is requested. This information will assist the Department in posting your annual income to the correct period for premium and benefit purposes.

Fiscal Year End Date ____ / ____ / ____ Date Due to IRS ____ / ____ / ____

Failure to sign and submit this form may result in reduction of future disability insurance benefits.

Assistance in completing this form may be obtained by calling (916) 654-6288 or our Employment Tax Customer Service Representative at 1-888-745-3886. For TTY (non verbal) access, call 1-800-547-9565.